

Message Text

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11

ACTION EB-07

INFO OCT-01 AF-06 EUR-12 EA-07 NEA-10 ISO-00 SP-02 AID-05

NSC-05 CIEP-01 TRSE-00 SS-15 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03

LAB-04 SIL-01 PA-01 PRS-01 IO-10 FEA-01 /112 W

----- 067142

R 090610Z NOV 75

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 2828

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY AMMAN

AMEMBASSY ANKARA

AMEMBASSY CAIRO

AMEMBASSY CONAKRY

AMEMBASSY DACCA

AMCONSUL DHAHRAN

AMEMBASSY DOHA

AMEMBASSY ISLAMABAD

AMEMBASSY JAKARTA

AMEMBASSY KHARTOUM

AMEMBASSY KUWAIT

AMEMBASSY MOGADISCIO

AMEMBASSY MUSCAT

AMEMBASSY NEW DELHI

AMEMBASSY NOUAKCHOTT

AMEMBASSY SINGAPORE

AMEMBASSY TRIPOLI

AMEMBASSY TUNIS

USMISSION OEDC PARIS

C O N F I D E N T I A L JIDDA 7446

E.O. 11652: GDS

TAGS: EFIN

SUBJECT: ISLAMIC DEVELOPMENT BANK: START-UP

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REF: 1) JIDDA 5449; 2) JIDDA A35, MAY 21, 1975

1. A RECENT CALL ON AHMET ALI, MANAGING DIRECTOR OF ISLAMIC DEVELOPMENT BANK, REVEALED THAT ADMINISTRATIVE APPARATUS NOW IN FORMATIVE STAGES, AND SUBSTANTIVE PREPARATIONS NOT YET UNDERWAY. THE BANK NOW OCCUPIES A VILLA, AND SEVERAL OF THE 10 EXECUTIVE DIRECTORS HAVE ARRIVED IN RIYADH, BUT NO PROJECT ANALYSTS OR OTHER SUBSTANTIVE STAFF HAVE BEEN HIRED. THE SR 151 MILLION OF PAID IN CAPITAL IS HANDLED BY THE SAUDI ARABIAN MONETARY AGENCY (SAMA). NO PROJECT PROPOSALS WILL BE ACCEPTED OR CONSIDERED FOR AT LEAST TWO MONTHS.

2. EMBOFF SUGGESTED A VARIETY OF U.S. AGENCIES, PRIVATE AND PUBLIC, WOULD BE INTERESTED IN ASSISTING THE IDB IN SETTING UP TRAINING AND/OR MANAGEMENT PROGRAMS. DR. ALI RESPONDED POLITELY, BUT UNENTHUSIASTICALLY. IT IS ALSO CLEAR THAT DR. ALI IS NOT INTERESTED IN COURTESY CALLS BY PUBLIC OR PRIVATE INDIVIDUALS. AS HE IS ALSO NOT PREPARED TO HANDLE PROJECT PROPOSALS, EMBASSY WILL NOT RPT NOT MAKE APPOINTMENTS FOR VISITING USG OFFICIALS.

3. DR. ALI ALSO MADE CLEAR THAT ANY PROJECT PROPOSALS MADE TO IDB SHOULD COME FROM MEMBER COUNTRIES. THEY SHOULD NOT ORIGINATE FROM THE U.S. OR OTHER THIRD PARTIES. (IDB LOANS WILL, UNDER ITS CHARTER, BE GUARANTEED BY MEMBER NATIONS.)

4. DR. ALI IS HIMSELF A SCHOLAR OF ISLAM NOT AN ECONOMIST OR BANKER. ALTHOUGH OFFICIAL POLICY HAS NOT YET BEEN SET IT IS UNLIKELY THAT HE WOULD ALLOW A CHANGE IN THE BASIC IDB APPROACH: THE BANK WILL TAKE PART OWNERSHIP IN PROJECTS OR MAKE INTEREST-FREE LOANS -- IT WILL NOT PLACE MONEY COMMERCIALLY NOR WILL IT VIOLATE THE MOSLEM PROHIBITION AGAINST CHARGING INTEREST. (WE WOULD PRESUME SAMA WILL CONTINUE TO HANDLE IDB FUNDS TO AVOID QUESTIONS OF INTEREST-BEARING DEPOSITS).

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